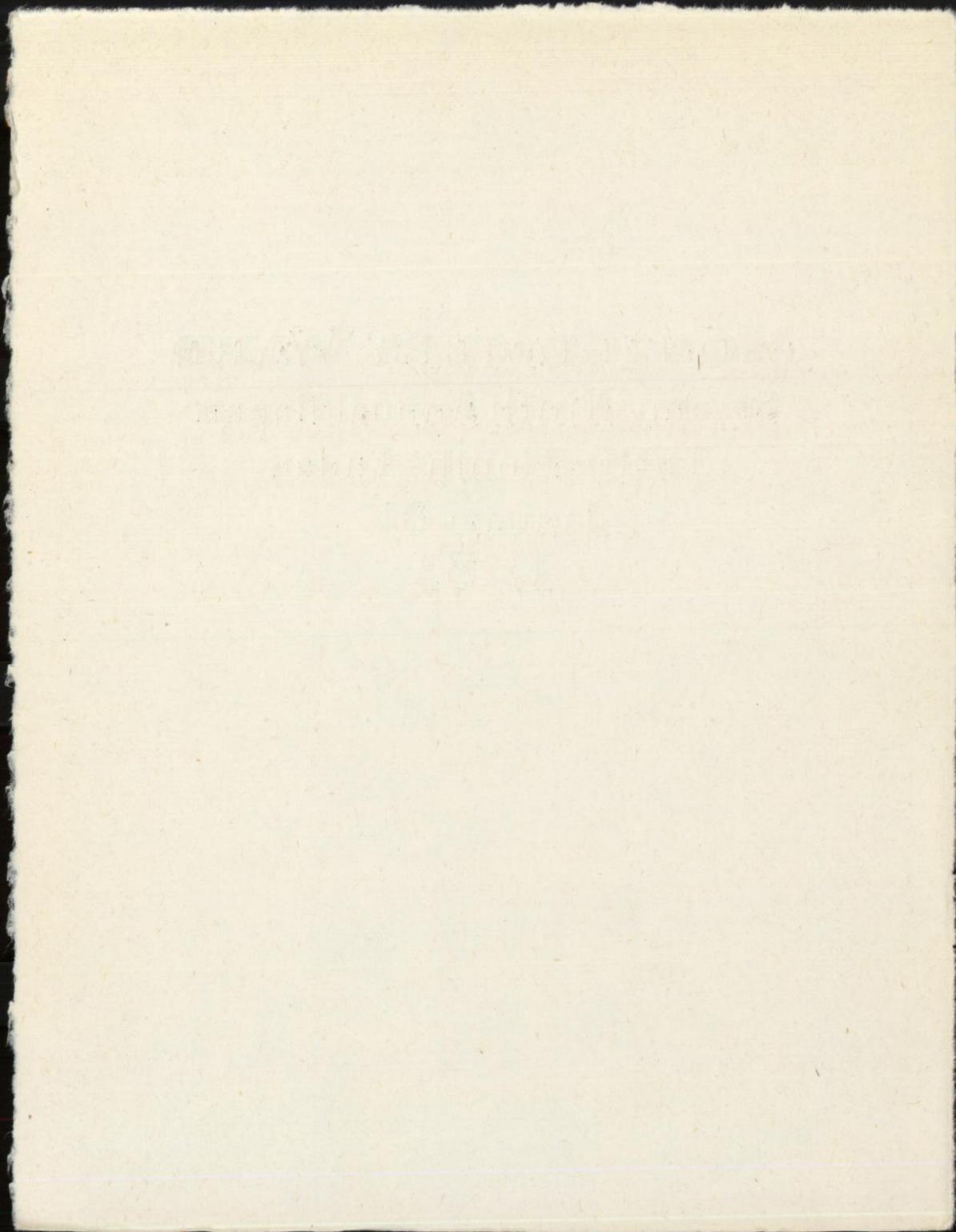
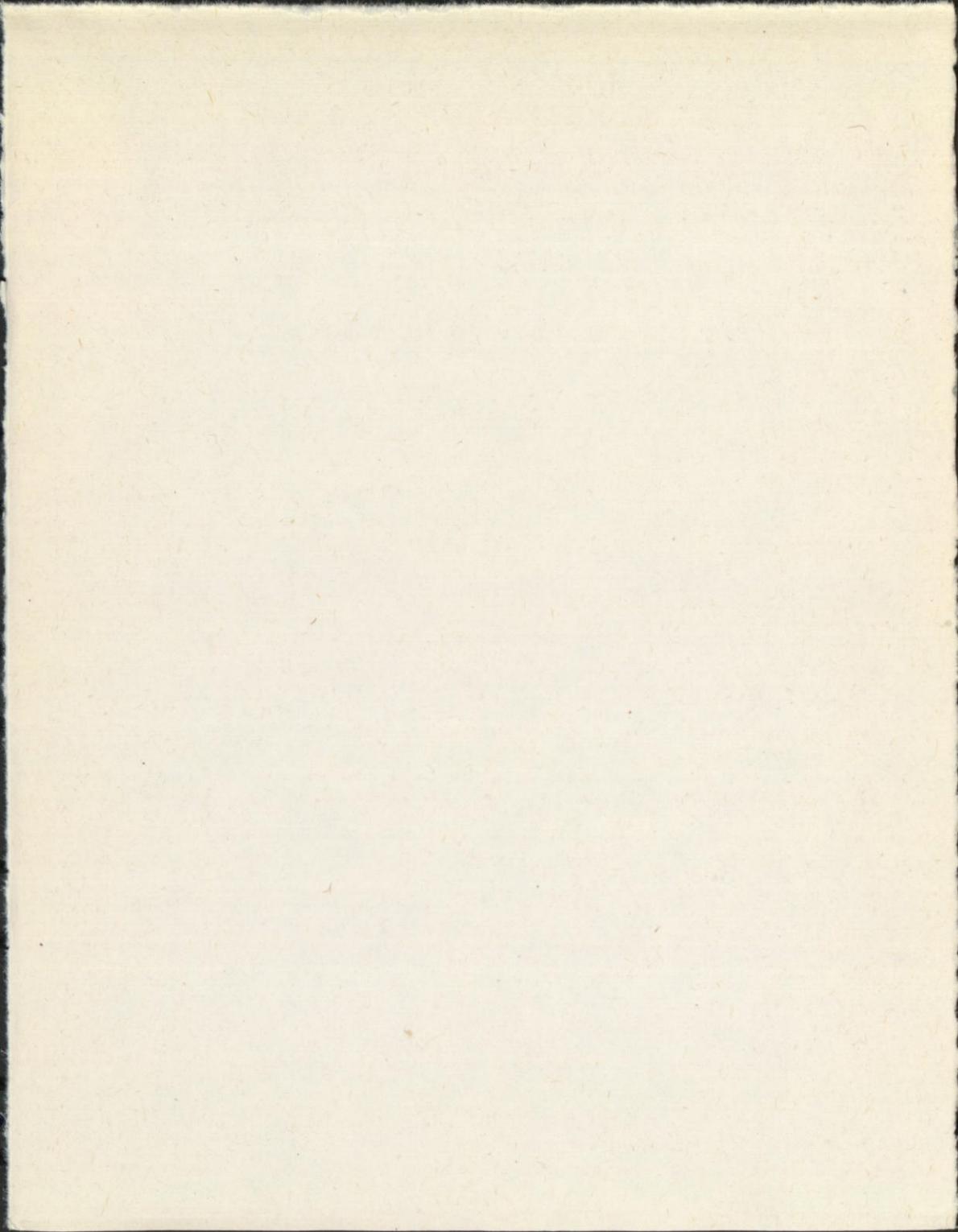


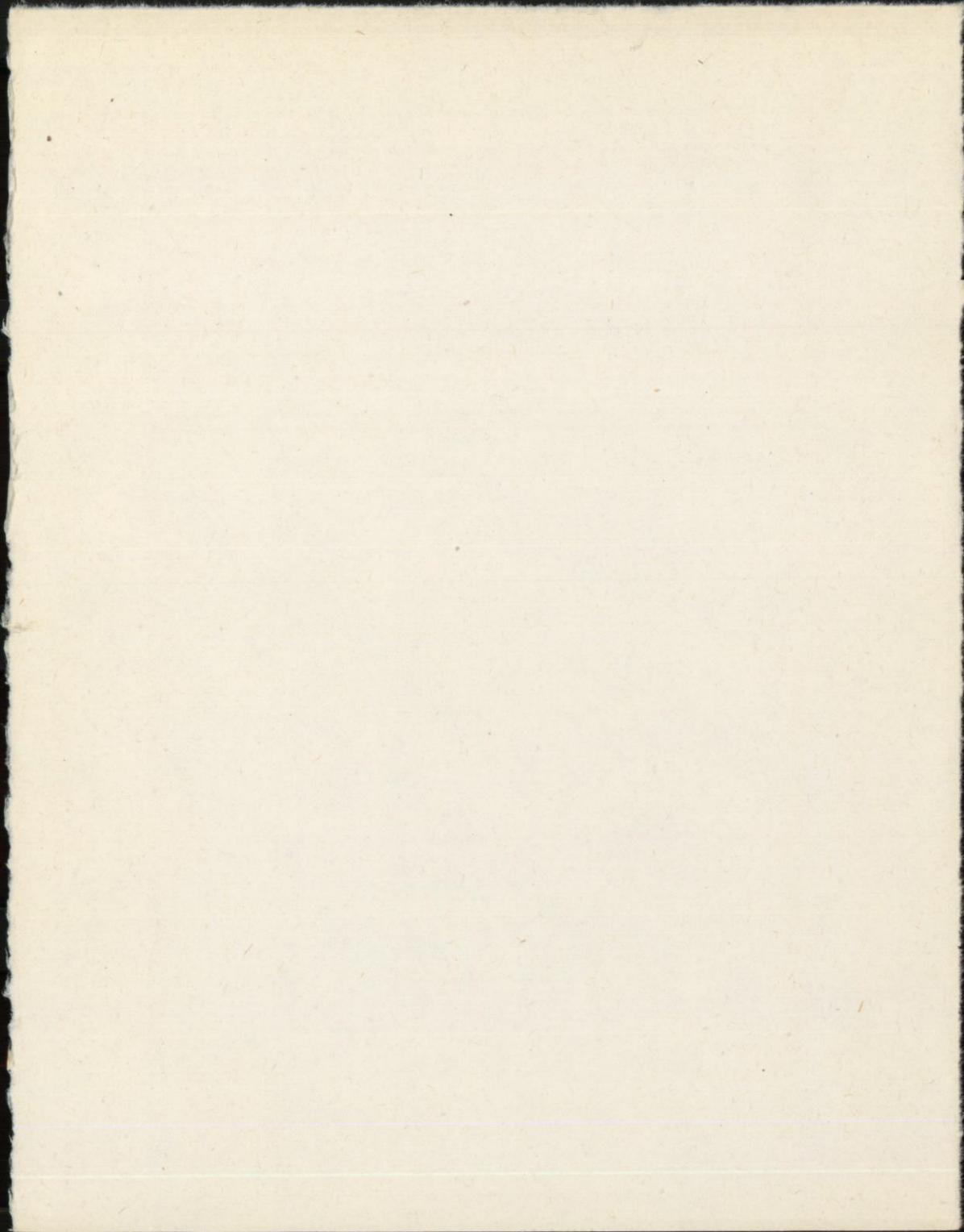
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MONTGOMERY WARD
Seventy-Ninth Annual Report
Twelve Months Ended
January 31
1951

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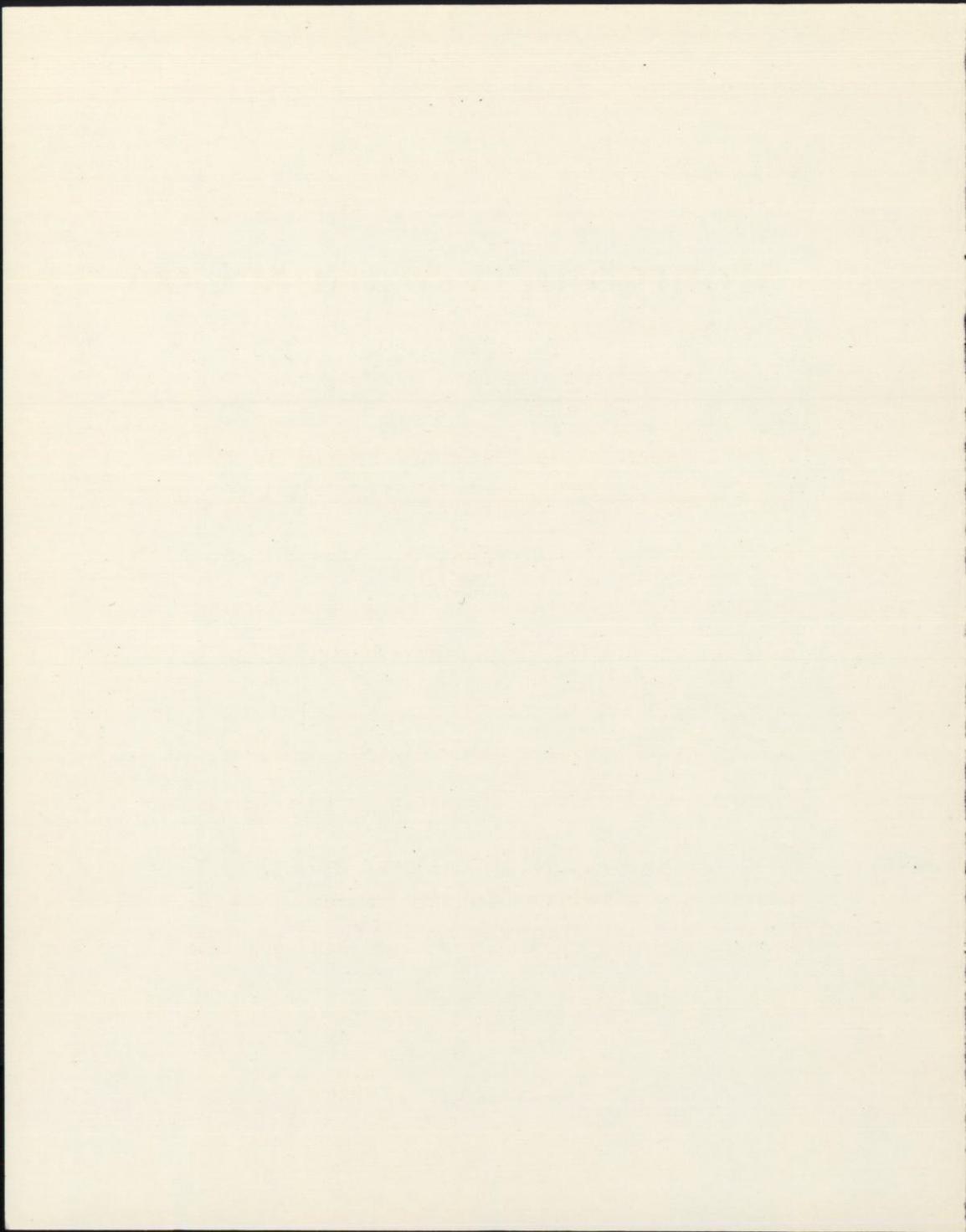


Montgomery Ward & Co.

INCORPORATED



Seventy-Ninth Annual Report
Twelve Months Ended
January 31, 1951



March 28, 1951

*To the Stockholders of
Montgomery Ward & Co.:*

Net earnings for the year ended January 31, 1951 were \$74,159,977, compared with earnings of \$47,787,898 for the preceding year. After deducting dividends paid on the Class "A" stock, these earnings were equivalent to \$11.19 per share of common stock, compared with \$7.13.

Sales for the year were \$1,170,461,801, representing an increase of \$86,025,736, or 7.9%. This increase reflects the accelerated demand for many lines of merchandise, starting in the early summer, and the higher prices that necessarily accompanied advancing costs of merchandise replacements.

Early in the year, the Company placed restrictions upon the extension of time payment credit to customers. These restrictions, later followed by Federal credit regulations, resulted in a decline of \$5,265,009 in customers' time payment accounts, to a total of \$191,460,664 on January 31st.

The current higher level of sales, the high cost of merchandise, and the difficulty of obtaining deliveries, necessitated the reversal of the trend toward lower inventories and commitments for the purchase of merchandise that was feasible in recent years. During the past year, the merchandise inventories increased \$22,304,698, to \$249,514,877 on January 31st, and the outstanding commitment for the purchase of merchandise increased \$52,000,000, to \$148,000,000.

Cash and United States Government securities totalled \$195,593,219 on January 31st, or \$59,363,719

in excess of total current liabilities. Net working capital increased \$47,718,249 during the year, to \$504,212,334, and the ratio of current assets to current liabilities on January 31st was 4.7 to 1.

Cash dividends of \$4.00 per share of common stock and \$7.00 per share of Class "A" stock were paid during the year, representing a total distribution of \$27,420,390. The book value of common stock increased \$7.19 per share, to \$80.20 on January 31st.

Respectfully submitted,

SEWELL AVERY,

Chairman of the Board

Montgomery

Balance Sheet—

Assets

Current Assets:

Cash.....	\$ 25,173,757
U. S. Government securities (short term).....	170,419,462
Receivables—	
Time payment accounts.....	\$191,460,664
Other accounts.....	14,734,077
	<u>\$206,194,741</u>
Less—Reserves for doubtful accounts and collection expense.....	<u>27,514,727</u> 178,680,014
Merchandise inventories (priced at the lower of cost or market).....	249,514,877
Supply inventories and prepaid catalog costs..	<u>16,653,724</u>
Total current assets.....	\$640,441,834

Properties and Equipment (at cost):

Land.....	\$ 6,530,516
Buildings, fixtures and equipment.....	\$ 71,099,792
Less—Depreciation reserves.....	<u>43,510,206</u> 27,589,586
Leasehold improvements (less amortization)...	<u>3,306,424</u> 37,426,526
	<u><u>\$677,868,360</u></u>

Ward & Co.

January 31, 1951

Liabilities and Stockholders' Investment

Current Liabilities:

Accounts payable.....	\$ 37,052,749
Due customers.....	11,197,767
Accrued expenses and insurance reserve.....	20,897,936
Federal taxes on income.....	<u>67,081,048</u>
Total current liabilities.....	\$136,229,500

Stockholders' Investment:

Class "A" Stock—

Authorized 205,000 shares of no par value, non-callable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value.....	\$ 20,155,400
---	---------------

Common Stock—

Authorized 10,000,000 shares of no par value; issued 6,502,378 shares, at stated value.....	211,231,385
--	-------------

Reserve for possible future inventory price decline.....	26,000,000
--	------------

Earned surplus—representing earnings reinvested in the business.....	<u>284,252,075</u>	<u>541,638,860</u>
		<u><u>\$677,868,360</u></u>

Montgomery Ward & Co.

Statement of Earnings for the Years Ended January 31, 1951 and 1950

	1951	1950
Net Sales	<u>\$1,170,461,801</u>	<u>\$1,084,436,065</u>
Deductions:		
Cost of merchandise sold.....	\$ 787,856,203	\$ 764,002,670
Wages and salaries.....	170,497,571	162,636,712
Other expenses—net.....	44,646,644	50,571,018
Rents.....	12,114,975	12,109,959
Social security, property, and sundry taxes...	10,851,912	10,747,520
Depreciation.....	3,353,519	3,569,155
Fort Worth flood loss.....	—	1,376,133
Federal and state taxes on income (including excess profits tax of \$7,404,000 in year ended January 31, 1951).....	<u>66,981,000</u>	<u>31,635,000</u>
Total deductions	<u>\$1,096,301,824</u>	<u>\$1,036,648,167</u>
Net earnings	<u>\$ 74,159,977</u>	<u>\$ 47,787,898</u>

Montgomery Ward & Co.

Statement of Earned Surplus for the Years Ended January 31, 1951 and 1950

	<i>1951</i>	<i>1950</i>
Balance at beginning of year.....	\$237,512,488	\$210,642,602
Net earnings.....	<u>74,159,977</u>	<u>47,787,898</u>
Total.....	<u><u>\$311,672,465</u></u>	<u><u>\$258,430,500</u></u>
Deduct—		
Dividends on Class "A" stock—\$7.00 per share	\$ 1,410,878	\$ 1,410,878
Dividends on Common stock—\$4.00 per share for the year ended January 31, 1951; \$3.00 per share for the year ended January 31, 1950.....	<u>26,009,512</u>	<u>19,507,134</u>
Total.....	<u><u>\$ 27,420,390</u></u>	<u><u>\$ 20,918,012</u></u>
Balance at end of year.....	<u><u>\$284,252,075</u></u>	<u><u>\$237,512,488</u></u>

Montgomery Ward & Co.

Statement of Money Provided from Operations and its Disposition During the Years Ended January 31, 1951 and 1950

	1951	1950
Money Provided from Operations:		
Net earnings	\$74,159,977	\$47,787,898
Depreciation (charged against operations but not paid in cash)	3,353,519	3,569,155
Proceeds from sale of land and buildings.....	<u>392,175</u>	<u>106,383</u>
Total	<u><u>\$77,905,671</u></u>	<u><u>\$51,463,436</u></u>
 Disposition of Money Provided:		
Dividends paid.....	\$27,420,390	\$20,918,012
Additions and improvements to properties and equipment.....	2,767,032	2,218,791
Retained as additional working capital.....	<u>47,718,249</u>	<u>28,326,633</u>
Total	<u><u>\$77,905,671</u></u>	<u><u>\$51,463,436</u></u>

Auditors' Certificate

To the Stockholders and Board of Directors,

Montgomery Ward & Co., Incorporated:

We have examined the balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) as of January 31, 1951 and the related statements of earnings, surplus, and money provided from operations and its disposition for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of earnings, surplus, and money provided from operations and its disposition present fairly the financial position of the Company as of January 31, 1951, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & Co.

Chicago, Illinois
March 16, 1951

Montgomery

Comparative Balance

Assets

	1951	1950	1949	1948
Current Assets:				
Cash	\$ 25,173,757	\$ 24,779,549	\$ 21,151,543	\$ 18,494,248
U. S. Gov't securities	170,419,462	105,435,430	66,990,025	32,653,045
Receivables (net)	178,680,014	178,299,085	172,323,064	144,089,707
Inventories	266,168,601	242,165,933	278,548,307	294,544,184
Total current assets	<u>\$640,441,834</u>	<u>\$550,679,997</u>	<u>\$539,012,939</u>	<u>\$489,781,184</u>
Properties and Equipment (net)	<u>\$ 37,426,526</u>	<u>\$ 38,405,188</u>	<u>\$ 39,861,935</u>	<u>\$ 40,259,826</u>
Total	<u>\$677,868,360</u>	<u>\$589,085,185</u>	<u>\$578,874,874</u>	<u>\$530,041,010</u>

Liabilities and Stockholders' Investment

Current Liabilities:

Accounts payable and accrued expenses	\$ 69,148,452	\$ 61,782,289	\$ 64,368,399	\$ 66,064,485
Federal taxes on income	67,081,048	32,403,623	46,477,088	43,261,202
Total current liabilities	<u>\$136,229,500</u>	<u>\$ 94,185,912</u>	<u>\$110,845,487</u>	<u>\$109,325,687</u>

Stockholders' Investment:

Capital stock	\$231,386,785	\$231,386,785	\$231,386,785	\$231,386,785
Reserve for possible future inventory price decline	26,000,000	26,000,000	26,000,000	26,000,000
Earned surplus	284,252,075	237,512,488	210,642,602	163,328,538
Total stockholders' investment	<u>\$541,638,860</u>	<u>\$494,899,273</u>	<u>\$468,029,387</u>	<u>\$420,715,323</u>
Total	<u>\$677,868,360</u>	<u>\$589,085,185</u>	<u>\$578,874,874</u>	<u>\$530,041,010</u>

Working Capital (current assets

less current liabilities)	\$504,212,334	\$456,494,085	\$428,167,452	\$380,455,497
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Ward & Co.

Sheets as of January 31

1947	1946	1945	1944	1943	1942
\$ 13,406,679	\$ 13,123,486	\$ 16,991,272	\$ 16,794,694	\$ 12,301,286	\$ 15,955,864
88,065,900	121,277,428	108,982,501	74,406,773	66,733,692	7,500,000
86,446,176	48,599,391	53,198,043	44,739,432	55,584,393	91,751,687
251,171,970	146,003,339	126,350,348	133,367,137	149,079,247	133,611,035
<u>\$439,090,725</u>	<u>\$329,003,644</u>	<u>\$305,522,164</u>	<u>\$269,308,036</u>	<u>\$283,698,618</u>	<u>\$248,818,586</u>
\$ 39,364,614	\$ 39,654,992	\$ 41,753,415	\$ 44,278,550	\$ 46,360,093	\$ 48,981,230
<u>\$478,455,339</u>	<u>\$368,658,636</u>	<u>\$347,275,579</u>	<u>\$313,586,586</u>	<u>\$330,058,711</u>	<u>\$297,799,816</u>
\$ 59,173,158	\$ 47,509,854	\$ 42,257,650	\$ 34,475,324	\$ 39,847,375	\$ 33,556,932
36,760,000	35,508,000	30,464,000	13,998,000	34,930,000	27,553,960
<u>\$ 95,933,158</u>	<u>\$ 83,017,854</u>	<u>\$ 72,721,650</u>	<u>\$ 48,473,324</u>	<u>\$ 74,777,375</u>	<u>\$ 61,110,892</u>
\$231,325,697	\$167,125,235	\$149,035,664	\$149,035,664	\$149,035,664	\$149,035,664
26,000,000	16,000,000	16,000,000	16,000,000	15,000,000	5,000,000
<u>125,196,484</u>	<u>102,515,547</u>	<u>109,518,265</u>	<u>100,077,598</u>	<u>91,245,672</u>	<u>82,653,260</u>
\$382,522,181	\$285,640,782	\$274,553,929	\$265,113,262	\$255,281,336	\$236,688,924
<u>\$478,455,339</u>	<u>\$368,658,636</u>	<u>\$347,275,579</u>	<u>\$313,586,586</u>	<u>\$330,058,711</u>	<u>\$297,799,816</u>
\$343,157,567	\$245,985,790	\$232,800,514	\$220,834,712	\$208,921,243	\$187,707,694

Montgomery

Comparison of Sales,

YEAR ENDED JANUARY 31	NET SALES	EARNINGS BEFORE TAXES ON INCOME	TAXES ON INCOME	NET EARNINGS
1951	\$1,170,461,801	\$141,140,977	\$66,981,000	\$74,159,977
1950	1,084,436,065	79,422,898	31,635,000	47,787,898
1949	1,211,955,909	114,647,076	46,415,000	68,232,076
1948	1,158,674,514	102,200,066	43,150,000	59,050,066
1947	974,256,649	89,902,182	37,620,000	52,282,182
1946	654,778,682	58,257,025	35,325,000	22,932,025
1945	620,968,523	49,065,839	27,780,000	21,285,839
1944	595,932,821	31,932,098	11,255,000	20,677,098
1943	635,006,979	57,597,584	31,160,000	26,437,584
1942	632,708,657	54,011,716	26,660,000	27,351,716
1941	515,910,915	35,083,017	12,055,000	23,028,017
1940	474,882,032	34,310,645	7,300,000	27,010,645
1939	413,961,241	24,044,956	4,400,000	19,644,956
1938	414,090,544	25,110,029	5,900,000	19,210,029
1937	361,297,059	25,198,914	5,000,000	20,198,914
1936	293,042,357	16,837,310	3,310,000	13,527,310

Ward & Co.

Earnings, and Surplus

EARNINGS PER SHARE OF COMMON STOCK	DIVIDENDS		RESERVE FOR FUTURE INVENTORY PRICE DECLINE	EARNED SURPLUS	COMMON STOCKHOLDERS' INVESTMENT PER SHARE
	AMOUNT	PER SHARE OF COMMON STOCK			
\$11.19	\$27,420,390	\$4.00	\$26,000,000	\$284,252,075	\$80.20
7.13	20,918,012	3.00	26,000,000	237,512,488	73.01
10.28	20,918,012	3.00	26,000,000	210,642,602	68.88
8.86	20,918,012	3.00	26,000,000	163,328,538	61.60
7.83	19,601,245	3.00	26,000,000	125,196,484	55.74
4.12	11,845,172	2.00	16,000,000	102,515,547	50.89
3.81	11,845,172	2.00	16,000,000	109,518,265	48.76
3.69	11,845,172	2.00	16,000,000	100,077,598	46.95
4.79	11,845,172	2.00	15,000,000	91,245,672	45.07
4.97	11,845,172	2.00	5,000,000	82,653,260	41.50
4.14	11,845,172	2.00	—	72,146,716	38.53
4.91	11,845,172	2.00	—	60,963,871	36.38
3.50	9,236,598	1.50	—	45,798,398	33.48
3.41	11,832,663	2.00	—	35,390,040	31.48
4.12	19,318,175	4.00	—	28,012,674	29.98
2.65	2,469,036	—	—	27,131,935	28.46

Montgomery Ward & Co.

Directors

SEWELL AVERY, *Chairman*

STUART S. BALL	GEORGE A. EASTWOOD
JOHN A. BARR	PERCY B. ECKHART
PHILIP R. CLARKE	SOLOMON A. SMITH
DAVID A. CRAWFORD	MERLE J. TREES

Officers

SEWELL AVERY.....	<i>Chairman, Board of Directors</i>
STUART S. BALL.....	<i>President</i>
JOSEPH C. KRACHT.....	<i>Vice-President</i>
JOHN C. WAGNER.....	<i>Vice-President</i>
JAMES A. WEBBER.....	<i>Vice-President</i>
CHARLES A. MAXEY.....	<i>Vice-President</i>
CHESTER W. ANDERSON.....	<i>Vice-President</i>
ARTHUR R. CAHILL.....	<i>Vice-President and Treasurer</i>
EDMUND A. KRIDER.....	<i>Vice-President and Controller</i>
JOHN A. BARR.....	<i>Vice-President and Secretary</i>
JOHN M. CLARK.....	<i>Assistant Treasurer</i>
EDWARD H. COLLINS.....	<i>Assistant Treasurer</i>
RALPH G. CRANDALL.....	<i>Assistant Secretary</i>

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J. P. MORGAN & CO. INCORPORATED, NEW YORK, N. Y.

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THE FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILL.
BANKERS TRUST COMPANY, NEW YORK, N. Y.

